

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB DEPRATU**, on March 26, 2001 at 5:07 P.M., in Room 405 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Sen. Alvin Ellis Jr., Vice Chairman (R)
Sen. John C. Bohlinger (R)
Sen. Pete Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Bill Glaser (R)
Sen. Dan Harrington (D)
Sen. Emily Stonington (D)

Members Excused: Sen. Mack Cole (R)

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted:
Executive Action: Senate Bill 514 Pass 9-0;
Senate Bill 511 Pass 9-0;
Senate Bill 501 Pass 9-0;
Senate Bill 505 Pass 9-0;
Senate Bill 516 Table 9-0

EXECUTIVE ACTION ON SENATE BILL 514

SENATOR BOHLINGER MOVED DO PASS. This is an opportunity to target more revenue regarding real estate transactions and sales of property by out of state buyers. **CHAIRMAN DEPRATU** suggested an amendment asking for a report back in two years and also moving the effective date to July 1. **SENATOR ELLIS** agreed July 1 would be a good idea. Judy Paynter from the Department of

Revenue said that would be fine and a report could be made on the effectiveness of the process during the Interim Committee on Revenue and Tax.

SENATOR ELLIS MOVED THIS CONCEPTUAL AMENDMENT to move the effective date to July 1 and the Department of Revenue would report on a regular basis to the revenue and tax committee. **SENATOR ELLINGSON** asked if the responsibility would be at the end of the year when the 1099 S was sent out, so this effective date would cover July 1 through December 31. **SENATOR DEPRATU** clarified that would be from July 1 forward. **SENATOR ELLINGSON** said that would mean the revenue and taxation committee would only have the benefit of a half of year transactions. **SENATOR DEPRATU** noted through the 1099's would be the only way the department would have this information.

SENATOR STONINGTON asked if there was a way the realty transfer report could be used to improve reporting of non-qualifying agriculture land. Agriculture land transaction were not reported presently to the Department of Revenue. There was an attempt to solve the issue of non-qualifying agricultural tracts but the magnitude was unknown. She said they were trying to think of a way to start collecting that information more accurately. Judy Paynter replied that one of the things that would help the department collect this information would be to have the realty transfer certificates apply to ag land as well. If they had the sales price they could get the information on twenty to 160 acres. This would enable the department to get a handle on the real market value of those properties, what they are selling for and how many sales there were. *{Tape : 1; Side : A; Approx. Time Counter : 0 - 8.8}*

The question was called on the amendment. The amendment was **ADOPTED** unanimously.

SENATOR STONINGTON proposed a conceptual amendment to require that real estate transfer certificates on non-qualified agricultural land, include the sales price, and register with the Department of Revenue. These would include the 20-160 acre tracts and any of the tracts of land that do an income verification. You are presumed non-qualified unless you prove qualified. **SENATOR DEPRATU** asked how this would apply to hobby farms. **SENATOR STONINGTON** replied it would be hard to determine without bringing it into the report.

The question was called. The amendment was **ADOPTED**.

SENATOR BOHLINGER MOVED THE BILL AS AMENDED. The question was called. The motion **PASSED** 8-0 with **SENATOR COLE** being absent.

EXECUTIVE ACTION TO RECONSIDER SB 511

SENATOR ELLIS MOVED TO RECONSIDER ACTIONS ON SB 511. **SENATOR DEPRATU** explained the amendment was put on regarding the 95%/5%. After researching this, the amendment was incorrect, therefore the bill needed to be reconsidered. The question was called. The motion **PASSED** unanimously.

Mr. Heiman explained an amendment regarding the 5%. The university funds do not have the 95%/5% situation. This would make that split. However, the problem is they are paying for bonds with the proceeds of this. The Constitution does not provide this money to be used for maintenance of buildings. He wanted to make sure the committee had a second look to consider the 95%/5%, since this was different than current law. **SENATOR STONINGTON** asked if current law put all of the proceeds into the trust fund. **Mr. Heiman** replied all of the mineral and timber proceeds were put in the trust fund. Of the interest portion, there is no reinvestment provision. **SENATOR STONINGTON** said it was her point to not utilize all of that flow, but at least have some going into the permanent fund so it would not totally deplete the account. It would serve the same function as the investment of the 5%.

SENATOR ELLIS said he would still argue against the amendment. He felt it was poor public policy with these types of revenues, to put them into a bank and save them. However, it would make it a lot better if part of that money was invested in securities. While securities do not pay as much interest or dividends, they grow over time at about a 10% rate. **SENATOR STONINGTON** pointed out that if we were doing this for public schools we should be doing it for the universities too.

SENATOR ELLIS MOVED TO STRIKE PART OF THE AMENDMENT. The question was called. The motion was **ADOPTED**.

SENATOR STONINGTON MOVED DO PASS AS AMENDED. The question was called. The motion **PASSED** unanimously. *{Tape : 1; Side : A; Approx. Time Counter : 8.8 - 17.3}*

EXECUTIVE ACTION ON SENATE BILL 501

SENATOR STONINGTON MOVED DO PASS. **SHE MOVED TO ADOPT AMENDMENT #50501.** The amendment would reduce the amount of the adjusted taxable value per mill - 105-101. The question was called. The amendment was **ADOPTED** unanimously.

SENATOR ELLIS MOVED AMENDMENT #2. He explained the Department of Revenue wanted a trigger before going to all the trouble. The question was called. The amendment was **ADOPTED** unanimously.

SENATOR STONINGTON MOVED THE BILL AS AMENDED. The motion **PASSED** unanimously.

EXECUTIVE ACTION ON SENATE BILL 505

SENATOR BOHLINGER MOVED DO PASS. He explained this was a bill that would provide a ten year tax holiday for new power generation. **EXHIBIT(tas68b01)** **Lee Heiman** explained the amendment. He said there had been a question as to why small scale hydro was not included. This was changed to allow these plus wind generation. **SENATOR DEPRATU** said there was a second amendment that was being distributed that would limit generation capacity of fifty megawatts or less. **EXHIBIT(tas68b02)** **SENATOR BOHLINGER** noted that the bill in its original form was estimated to create some 250 jobs that pay \$40 thousand dollars a year. The incentives for expansion of the economy would be enormous and he was not sure the effectiveness should be watered down from the original intent. **SENATOR ELLIS** said the amendments would just broaden the applicability and still do what was originally intended. **Mr. Heiman** replied the amendment would replace the former wind generation in the section.

The question was called on the first amendment #050501. The amendment was **ADOPTED** unanimously.

SENATOR STONINGTON MOVED THE SECOND AMENDMENT #050502. **Lee Heiman** explained the amendments which would be effective on passage and approval for generators less than fifty megawatts and applies for those greater than fifty megawatts after January 2, of 2002. The contracts that are let have to be at least five years duration. There was some discussion about whether this property tax was included in gross proceeds of coal and **SENATOR TAYLOR** decided it should so this includes no gross proceeds of coal as it may affect some generation. **SENATOR ELLINGSON** pointed out if the exemption was given to a operator of a commercial generating facility how would the gross proceeds coal tax fit into it unless the operator of the generating facility is also a coal mine. **Lee Heiman** replied that was what he assumed was the relationship. *{Tape : 1; Side : A; Approx. Time Counter : 17.3 - 30}*

The question was called on the amendment. The amendment was **ADOPTED** unanimously.

SENATOR ELLIS MOVED DO PASS AS AMENDED. The motion **PASSED** unanimously.

EXECUTIVE ACTION ON SENATE BILL 516

SENATOR ELLIS discussed the findings of the subcommittee that worked on the bill. He told the committee there were significant problems with the bill. The problem had been addressed several times since 1985 and a lot more time had been spent trying to solve it than an hour or two. It was difficult avoiding the unintended consequences. The conclusion of the subcommittee was the bill should be tabled and recommend a study be done of the whole green belt situation by the Interim Revenue Committee.

SENATOR ELLIS MOVED TO TABLE. The question was called. The motion **PASSED** 9-0.

ADJOURNMENT

Adjournment: 5:44 P.M.

SEN. BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/DT